



G20 endorses international wheat improvement effort to improve food security

Agriculture Ministers from the G20 group of nations have adopted the International Research Initiative for Wheat Improvement (IRIWI), which will be funded for coordination activity in part by BBSRC.

The historic agreement between the Ministers of Agriculture of the G20 in Paris underlines the importance of increasing world agricultural production, in particular that of wheat, to resolve the urgent challenge of sustainably providing enough safe, nutritious and affordable food for a growing global population.

Wheat is the most widely consumed crop in the world, producing over 20% of the calories and protein consumed by humans. It is also the UK's most important crop. This initiative will aim to reinforce cooperation and coordination between national and international bread and durum wheat research programmes. It will support improvements in food security, nutritional value and safety while taking into account societal demands for sustainable and resilient agricultural production systems able to adapt to anticipated climate change.

Coordination activity by IRIWI in its first four years will be supported by BBSRC, INRA (France) and CIMMYT (Mexico). IRIWI itself is supported by research and funding organisations from 10 countries which have, or intend to develop, national programmes to improve wheat germplasm. The number of partner countries is expected to increase and the coordination will ensure that information from these national programmes is available for application globally.

Prof Douglas Kell, BBSRC Chief Executive, said: 'I am delighted that the G20 Agriculture Ministers have adopted the initiative. Wheat is the most widely consumed carbohydrate in the world and the UK's most important crop. Our efforts to improve yield, nutritional value and safety must overcome international barriers to deliver the greatest impact. The UK has a key role in international wheat research, supported by BBSRC, so I am very pleased that we can play a similarly important role in the initiative.'



Present production levels of wheat do not satisfy demand and with a predicted world population of 9 billion in 2050, wheat demand is expected to increase by 70%. In order to meet future demand the average annual increase in global wheat yield must jump from its current level of below 1% to at least 1.7%. Improvements in wheat production vary considerably from country to country so in order to achieve this level of increase international cooperation and the sharing of best practice is vital.

IRIWI will coordinate worldwide research efforts in wheat genetics, genomics and agronomy. Both Northern and Southern countries share the need to improve wheat yield, tolerance to stress, pathogens and pests, as well as wheat resource use efficiency. Improved agronomic practices and development of innovative cropping systems are also a priority.

A number of national research programmes have been initiated recently by leading nations, including BBSRC's recent announcement of a '7M programme of wheat pre-breeding research.

As part of its activities, IRIWI will provide a forum to facilitate communication between research groups, identify potential synergies and encourage collaborations among major existing or emerging nationally, regionally and internationally (public and private) funded wheat research programmes. It will also support the development of publicly available integrated databases and platforms and establish and periodically update priorities for wheat research of global relevance.

Markets retreat: US wheat and barley

Wheat

Wheat opened the week lower, but Minneapolis cut its losses late to end with small gains. The winter wheat exchanges continued to be pressured by advancing harvest activity while the Minneapolis exchange was supported by continued acreage concerns. It is apparent that the planting season is over for the Northern Plains, but the question remains as to how much spring wheat was actually planted.



June 21's session had wheat trading with strength as technical buying stepped in to help wheat bounce off support lines. Light support was a result of spillover support from a weaker U.S. dollar. The dollar was under pressure from news of a \$1 trillion bailout for the PIIGS. That brought stability to the markets in Europe which in turn pressured the U.S. dollar. Additional support was because of weather forecasts calling for rain for much of the Plain states.

By midweek, wheat was under extreme pressure. Early selling was tied to spillover pressure from a lower overnight session in Europe's wheat contracts. Wheat in Paris has been under pressure since May as weather conditions have improved enough to boost crop production potential. Fund selling added pressure. Technically, damage was done to the charts as wheat traded to lows not seen for seven months.

The June session started off under extreme pressure. Early selling was tied to a complete breakdown in the markets as all commodities, except the U.S. dollar, were under hard selling pressure. Economic concerns in both the U.S. and Europe pressured wheat while additional selling was tied to Statistics Canada's bearish acreage estimate. Toward the end of the session wheat was able to reduce session losses. Support was a result of bottom picking. Chicago was the best performer as traders took profits on short positions and unwound wheat spreads.

Statistics Canada's March acreage report estimated Canada's wheat planted acreage at 23.6 million acres, 1.2 million more than traders expected (22.4 million), 1.1 million acres lower than its March estimate (24.7 million) and 2.5 million higher than last year (21.1 million). Spring wheat acres were estimated at 17.5 million, 1 million higher than last year. Traders are questioning the accuracy of the report because of a wet spring.

Barley

USDA reported last week's barley export shipments pace at 39,000 bushels. No barley export sales were reported last week.

Statistics Canada's March report estimated this year's planted barley acreage for Canada at 7.1 million acres compared with estimates of 7.6 million and 6.9 million for last year.



Cash barley bids in Minneapolis have feed barley bids at \$4.90, while malting barley bids are \$7.50.

GRAINS-U.S. futures post modest recovery ahead of USDA report

U.S. wheat, corn and soybeans staged gains of up to 1.2 percent in a nervous market on Tuesday, rebounding after large falls at the start of the week and ahead of a key U.S. crop report.

"We've seen a little bit of a rebound in equity markets but movements in agricultural commodities are a bit inconsequential ahead of Thursday's (U.S. Department of Agriculture) report," said Adam Davis, senior commodities trader at Merricks Capital in Melbourne.

The USDA will issue its annual acreage report on June 30, along with its quarterly U.S. grain stocks data.

The acreage report, based primarily on a survey of farmers in the first two weeks of June, could shed light on whether excessive rains and flooding from the upper Midwest to the South affected the seeding of the corn and soy crops.

Chicago Board of Trade corn for December delivery rose 1 percent to \$6.32-1/2 per bushel by 04:15 GMT. The grain's price hit a record near \$8 per bushel in late May when worries about rain delaying seeding in the U.S. corn belt were at a height.

Analysts expect U.S. corn stocks as of June 1 to be 3.302 billion bushels, which would be the smallest on record since 2004, a Reuters poll showed.

Wheat for September delivery rose 0.73 percent to \$6.55-1/2 per bushel following Monday's fall.

November soybeans firmed 0.1 percent to \$13.16-1/4 per bushel, adding to a rise on Monday on short-covering following fresh sales to China, the world's top soy importer.

"There's a lot positioning going on ahead of the USDA report and we also have the upcoming expiry of July wheat and corn futures," said Davis.



"Particularly with corn there have been very large speculative positions that are getting unwound," he said.

"Whatever happens today doesn't mean much until the June 30 report comes out," Davis added.

He said weather issues were likely to affect grain production in the Northern Hemisphere as harvests get underway while a resumption of exports out of the Black Sea was putting downward pressure on wheat prices.

Farmers in the leading grain-producing areas of Ukraine and Russia predict a rise in the 2011 grain harvest after a devastating drought last year and a return to the lucrative export market.

Confidence remains high in Russia that exporters will easily retake traditional markets, such as those in the Middle East and North Africa, with the offer of cheaper grain.

"Those guys will be looking for cash flow so there is plenty of pressure coming out of the Black Sea," said Davis.

"Besides that we're in the middle of the U.S. wheat harvest and the same time we've had a lot liquidation in July corn so throw that together then you can see why there is pressure on prices.

Russia grain prices too low to trigger export duty

Low export demand, ample supplies and a decline in world wheat futures are likely to push Russia's domestic grain prices below the government's threshold for new export restrictions.

Deputy Prime Minister Viktor Zubkov said last week the government, which on Friday will allow exports to resume after a 10-month ban, would start levying a duty if milling wheat prices hit 6,500 roubles (\$229.40) a tonne.

The government banned exports in August 2010 in response to a fierce drought, which killed a third of the crop. But despite expectations that Russian exporters will seize the opportunity to ship as much grain as they can when exports resume, prices are more likely to fall near the \$200 per tonne mark than to rise.



That reduces the prospects of renewed price-based export restrictions.

"It has shifted the likelihood further away," said Richard Warburton, the chief executive of Stockholm-listed Black Earth Farming, which owns more than 300,000 hectares of Russian farmland in the Central Black Soil region. "How many people are factoring that in with pricing, I don't know," he added.

Uncertain prospects for regulation through export tariffs have muted price moves in Russia and abroad, slowing the rise in domestic prices and stemming declines on world markets triggered by the end of the outright ban.

"Prices have been growing for a month or so and are up 20-30 percent. We don't see any upside from current levels," said Andrei Sizov, Jr., managing director of the SovEcon agricultural think tank.

"We think it is possible that prices could go substantially lower from current levels."

Domestic wheat is currently offered a few hundred roubles above the 6,500 rouble threshold in many of Russia's top producing regions, though prices remain far below international levels.

Wheat Hits 2011 Low on Concerns About Demand

Wheat prices settled at a low point for the year Monday as U.S. crops turn out to be in better shape than anticipated.

Traders also are concerned that overall demand for commodities may decline if the global economy slows.

Wheat for July delivery fell 13 cents Monday to \$6.5925 a bushel, which was about \$1 a bushel less than it was June 10. The price has fallen nearly 26 percent since early February, although it still was about 43 percent more than it was a year ago.

A dry winter created fears that some of the wheat crop in the Plains would be damaged, but the harvest is producing yields that are average, Telvent DTN analyst Darin Newsom said.



"They were anticipating such horrific yields that this may actually be better," Newsom said.

In addition, weather conditions have improved in growing regions across parts of Europe, which could increase global supplies of wheat.

The financial crisis in Greece is still an overriding concern for investors in wheat and other commodities. The fear is that if the broader European economy is affected by the crisis it could slow down demand for all kinds of basic materials including oil, copper and agricultural products.

European leaders failed to reach an agreement over the weekend on giving more financial aid to Greece. The Greek government faces a confidence vote on Tuesday.

The Greek situation has benefited gold and silver, which are considered relatively stable assets to hold during turbulent times.

Gold for August delivery has posted gains for five straight trading days, settling up \$2.90 Monday at \$1,542 an ounce.

CPM Group analyst Carlos Sanchez said he believes the price will increase to \$1,600 an ounce in the next few weeks and then could fall below \$1,500 an ounce by the end of summer if the economy gets stronger.

In other metals contracts for July delivery, silver added 32.3 cents to settle at \$36.071 an ounce, copper fell 2.85 cents to \$4.0735 a pound and platinum dropped \$21.60 to \$1,730.50 an ounce. September palladium rose \$2.80 to \$748.20 an ounce.

Corn and beans both rose. July corn gained 0.25 cent to settle at \$7.005 a bushel and soybeans rose 2.75 cents to \$13.3575 a bushel.

In energy trading, benchmark crude for July delivery rose 25 cents to settle at \$93.26 per barrel on the New York Mercantile Exchange.

Heating oil fell 5.13 cents to settle at \$2.932 per gallon, gasoline dropped 3.45 cents to \$2.9115 per gallon and natural gas lost 0.8 cent to \$4.317 per 1,000 cubic feet.



GASC Buys 240,000 Tons US,French,Australian Soft Wheat

Egypt's state-owned wheat buyer, the General Authority for Supply Commodities, Thursday said it bought a total of 240,000 metric tons of U.S. soft red winter wheat and Australian wheat.

Of the total, GASC bought 60,000 tons of U.S. soft red winter wheat from Bunge at \$267.47 a metric ton and 60,000 tons of soft red winter wheat from Bunge Ltd. (BG) at \$268.37/ton.

GASC also bought 60,000 tons of Australian wheat from Glencore International PLC (GLEN.LN) at \$269/ton and 60,000 tons from Louis Dreyfus at \$283.67/ton.

The wheat is for shipment July 21-31.

Breakdown of bids:

Noblegrain: 60,000 tons French wheat \$301.85/ton at two loading ports.

Lecureur: 60,000 tons French wheat \$291/ton at two loading ports.

Cenex harvest: 60,000 tons soft red winter wheat \$273.50/ton U.S. Gulf

Dreyfus: 60,000 tons French wheat \$285.17/ton and \$285.17/ton at one or two loading ports

Toepfer: Two shipments 60,000 tons of soft red winter wheat \$271.49/ton U.S. Gulf

Viterra: 60,000 tons Australian wheat at \$284/ton East Coast or 60,000 tons soft red winter wheat \$275.00/ton U.S. Gulf or 60,000 tons French wheat \$292.50/ton two loading ports.

Soufflet: 60,000 tons French wheat at \$296.50/ton at two loading ports

Venus: 60,000 tons soft red winter wheat at \$290.27/ton

Bunge: Two shipments of 60,000 tons soft red winter wheat \$267.47/ton and \$268.47/ton.



Granit: 60,000 tons French wheat \$287.90/ton at one loading port and 60,000 tons French wheat at \$289.90/ton at two loading ports

In-vivo: Two shipments 60,000 tons French wheat at \$288.85/ton and \$292.75/ton at two loading ports.

Glencore: 60,000 tons Australian wheat at \$269.30/ton at one loading port and 60,000 tons French wheat \$285.90/ton at one or two loading ports.

Cargill: 60,000 tons soft red winter wheat at \$282.50/ton and 60,000 tons French wheat \$295.00/ton at two loading ports

Nidera: 60,000 tons French wheat at \$286.95/ton at two loading ports.

Brazil fears cloud world's return to sugar surplus

ABN Amro echoed forecasts of a return to a sugar production surplus – but not by as far as some other observers, warning that the threat of disappointing Brazilian production left the market facing "another season of uncertainty".

World sugar output will jump to 169.3m tonnes in 2011-12, well ahead of consumption, pegged at 161.5m tonnes, the bank said.

However, the estimate of 7.8m-tonne production surplus is below some other forecasts, with Czarnikow earlier this month pegging the gap at 10.3m tonnes, and Swiss-based Kingsman expecting a 10.6m-tonne figure.

"It has become more apparent that the 2011-2012 Brazilian harvest will seriously undershoot expectations, and that disappointment will hardly be compensated for by a gradual return of India to export availability," ABN said.

"There is yet another season of uncertainty to negotiate – possibly even more than one," if Brazil's waning sugar productivity, a hangover from a dearth of investment during the world recession, proves "a structural as opposed to a merely transient problem".



'The big question'

The comments follow a weak start to 2011-12 for sugar output in Brazil's Center South region, which is responsible for most of the output in the world's top producing, and exporting, country.

While dryness in May allowed mills to catch up some production lost since February, when frequent rains slowed cane harvesting, this dearth of rain itself will come with a hangover later in the season, in terms of stunting development of the crop.

Raizen, the joint venture between Brazilian sugar giant Cosan and Anglo-Dutch oil goup Shell, warned earlier this month that Center South sugar output could fall to 31.1m tonnes, compared with industry estimates of nearly 35m tonnes.

"The big, and unanswerable, question is - how far will Brazil's cane and sugar output in 2011-2012 drop below initial expectations?" said ABN, whose research is undertaken with the VM Group.

"If the Brazilian harvest does undershoot by as much as 30% consistently throughout the rest of its season, then the price will surely rise further."

'Worries pre-eminent'

The comments came as sugar futures, once again, swung between positive and negative territory in New York, although not as strongly as in the last session, when the July lot slumped 5.6% after India announced consent for an 500,000 tonnes of exports, only to close in positive ground.

"It seems worries about Brazil's output are still pre-eminent," Nick Penney at Sucden Financial in London said.

New York's July contract closed 0.2% lower at 27.54 cents a pound, with London white sugar for August ending up \$0.10 at \$734.60 a tonne.



Sugar futures rally on Brazil crop fears

Raw sugar futures in New York ended sharply higher as updated crush data from Brazil's Centre/South renewed concern that the region's 2011/12 crush may not live up to initial expectations, which triggered a wave of short-covering and panic buying among traders.

The nearby July contract jumped 1.48 cents to settle at 29.28 cents/lb, after reaching a session high of 29.40. The most-active October contract added 1.10 cents to 27.01 cents/lb, in dealings from 25.91 to 27.23 cents.

Rains slow Brazil's Centre/South harvest in the first half of June

Rains in the first half of June slowed harvesting of Brazil's 2011/12 sugarcane crop in the key Centre/South region, cutting the pace of sugar and ethanol production after it accelerated in the second half of May, Unica data showed.

Sugar output in the region totaled 1.991 mln tonnes, tel quel, in the first half of June, down 13.6% from 2.304 mln tonnes in the same period last year and also significantly below the 2.379 mln tonnes produced in the previous two weeks to June 1. That brought total sugar output in the season-to-date to 6.735 mln tonnes, down 24.8% from 8.954 mln produced in the same period in 2010/11.

World rice output in 2011 estimated at 476 mln tonnes - FAO

Global rice production is expected to touch 476 million tonnes in 2011, on the back of improved weather conditions, as the influence of La Nina is expected to neutralise by June, United Nation's body FAO said.

The world rice production reached a new record in 2010, at 464 million tonnes (696 million tonnes paddy), up 1.8 per cent from the previous season, Food and Agriculture Organisation said.

“Although very preliminary, world paddy production in 2011, is forecast to expand by 2.5 per cent to 713 million tonnes (about 476 million tonnes, milled basis), reflecting expectations of improved weather conditions, as the influence of La Nina is expected to fade away by June,” it said.



In Asia, output is expected to grow by 2.5 per cent to 645 million tonnes (430 million tonnes, milled basis), with major increases expected in China and India and a recovery in Pakistan, it added.

According to the third advance estimate of the Agriculture Ministry, rice production in India in the 2010-11, season is pegged at 94.11 million tonnes.

However, the outlook has not been healthy for Sri Lanka, that has been affected by a consecutive round of floods, and Japan, where the catastrophic earthquake in March and ensuing tsunami and the Fukushima nuclear plant radioactive leakage will affect the output, FAO pointed out.

The event particularly affected the Tohoku district, that accounts for a quarter of Japan's rice output, it added.

“FAO estimates that the disaster will result in a 43,000 hectares cut in area cultivated to rice in 2011, equivalent to about 3,00,000 tonnes of paddy production. If confirmed, it would bring Japan's paddy production down by 3 per cent to 10.3 million tonnes,” it added.

In Africa, production of rice in 2011, is expected to remain close to the 2010 level, with some increases in Western Africa compensating for reductions in Egypt and Madagascar, FAO said.

In Latin America and the Caribbean, paddy production is expected to recover in 2011, after the last year's reduced crop.

The output in 2011, is helped by a strong recovery in the southern part of the continent, especially in Argentina, Brazil, Colombia, Uruguay and Venezuela, where harvesting of the 2011 main paddy crops is virtually completed, it added.

Philippines launches rice farm mechanization plan

As part of its efforts to attain self sufficiency in rice production, the Philippines said rice farming in the country will undergo transformation from 2011 to 2016 to increase by 10 percent farms' yearly output.



According to the P16-billion rice production modernization plan of the Department of Agriculture (DA) palay production in 2011 is expected to reach 17.4 million metric tons (MT). The goal by 2013 is rice sufficiency with an output of 21.13 million MT.

Philippines will spend P1 billion to procure 4,000 units of post harvest machineries. During the program's six-year duration, the DA target is to purchase and distribute up to 7,000 postharvest units and 90,000 units of on-farm machineries. The total budget for on-farm mechanization is P9.5 billion.

The bureau also earmarked P2.8 billion for drying machines and P3.2 billion for the modernization plan's rice milling component.

The program will enable rice farmers to buy their own machines under a financing arrangement with the government which will take on 70 percent of the purchase price.

It will work with farmers' groups in deploying hand tractors, 4-wheel tractors and threshers. Seed cleaners, rice reapers, drum seeders, mini combine harvesters and combine harvesters will also be deployed to farms.

The mechanization level in the Philippines is only 0.52 horsepower per hectare (hp/ha) on average which is low compared to the levels attained by Japan at 7 hp/ha, South Korea, 4.11 hp/ha and China 3.88 hp/ha. Also ahead of the Philippines in farm mechanization are Pakistan at 1.02 hp/ha, India 1 hp/ha and Thailand, 0.79 hp/ha.